

## Sixth Circuit Affirms the Importance of Identifying Protected Elements of Copyrighted Software

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### ***Automated Solutions Corporation v. Paragon Data Systems, Inc.***

The U.S. Court of Appeals for the Sixth Circuit confirmed that a party claiming infringement of copyrighted computer software must identify those components of the software that are protectable under copyright law before a jury can determine the substantial similarity of the defendant's software. ***Automated Solutions Corporation v. Paragon Data Systems, Inc.***, Case No. 12-3025; -3058 (6th Cir., June 25, 2014) (Cleland, J., sitting by designation).

In 2001, Automated Solutions and Paragon Data Systems entered into a software development and ownership agreement to jointly develop, own, market and license computer software for the Chicago Tribune and other newspaper companies called the "Single Copy Distribution System" (SCDS), which was used to track and manage newspaper deliveries and subscriptions.

In 2003, Paragon terminated its contract with Automated Solutions over billing disputes, and within one week, Automated Solutions filed an action seeking a declaratory judgment that it was the sole owner of the SCDS software. Because Paragon terminated the contract with Automated Solutions rather than pursuing remedies provided for under the agreement, the court found that Paragon waived any right to market the SCDS software on its own. The Ohio Court of Appeals affirmed the state court's ruling, holding that Paragon did not have any right to copyrights in the modifications of the SCDS software after 2003. Accordingly, Automated Systems thereafter registered its copyright interest in the SCDS software with the United States Copyright Office.

In 2004, a Cleveland newspaper engaged Paragon to develop hardware and software for its newspaper delivery system, and within one month Paragon delivered a software program called DRACI. The Paragon employee that was assigned to work on the DRACI software indicated that he was the only person at Paragon to write any code used in DRACI, and that he composed the software code "from scratch."

After Automated Systems acquired its federal copyright registration in the SCDS software code in 2005, Automated Systems filed another suit against Paragon in state court (which Paragon removed to federal court), and Automated Systems amended its complaint to allege copyright infringement and other claims that Paragon copied the SCDS software to use in its DRACI software.

Although Automated Systems presented arguments alleging that Paragon had directly copied the SCDS software, Automated Systems did not identify which portions of the SCDS software were subject to copyright protection under the Copyright Act. Therefore, the court found that Automated Systems “failed to provide any basis by which a jury could determine that Paragon infringed on anything.”

On appeal, the 6th Circuit affirmed the district court’s denial of Automated Systems’ motion for sanctions against Paragon with respect to certain issues of spoliation of evidence and affirmed the grant of summary judgment to Paragon dismissing all of Automated Systems’ claims, including the claim of copyright infringement. The court cited the lower court’s reliance on its decision in *Olmstead* (6th Cir., 2010), and found that Automated Systems did not submit sufficient evidence to show which portions of the SCDS software were original (and not functional) and therefore subject to copyright protection. Specifically, the court noted that Automated Systems’ reliance on the declaration of its computer science expert was not sufficient, because the expert stated only that he distilled the SCDS software to its “unique protectable expression,” but the expert did not elaborate as to which portions of data were unique, what made them unique or why certain portions of data were actually creative and protectable rather than functional or dictated by “practical realities of software” in general.

Therefore, the court found no error in the district court’s grant of summary judgment in favor of Paragon due to Automated Systems’ inability to identify the protectable elements of the SCDS software and affirmed.

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